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25X1 1. Communist leaders of the Chin-Ch'a-Chi Military Zone are already preparing
25X1 for the civil administration of Tientsin, which they plan to take by the end
25X1 of September. Peiping will not be taken until all of China north of the
25X1 Yellow River is under Communist domination. Peiping is unproductive. The
25X1 Communists are now obtaining a large number of recruits for their army from
25X1 Peiping's starving with their "Come to Us and Eat" slogan. [] Note:
25X1 The press accounts of 100,000 refugees on the Peiping-Chihien highway headed
toward Peiping, with 6,000 to 7,000 already in the suburbs and 1,000 admitted
in the city, are probably exaggerated. More persons are probably leaving
the city than entering it, mainly because of the impending famine which may
or may not become serious.)

25X1 2. If the Communists succeed in gaining control of China they will use whomever they believe to be useful to them. Men like T. V. SOONG will not be doomed. Communist underground leaders have stated that if they were in a position to control him, they would use SOONG as either a financial expert or as an ambassador to America. [redacted] Note: Chinese vernacular press has been "laying off" the subject of SOONG and intimating that K'UNG will be the special envoy to America.) However, because of the effect upon the people of the present anti-SOONG propaganda in the Communist press, the Communists might be forced to remove SOONG from the government temporarily. This will be averted if the Communists have the opportunity, under a coalition government, of preparing the masses to accept SOONG as a "necessary evil".

3. The Communists still have not deviated from their original desire for the establishment of a coalition government in China and still have faith in the people's acceptance of Communist ideology in China. They are eager for a political "free-for-all" with the Nationalists. They admit that China has more to gain from a coalition government than from complete Communist domination as a result of Communist military successes. The Communist leaders in Peiping base their view on the following beliefs:

a. The people of China are not ready for Communism. So far the Communist revolution in China has been based upon agrarian reform and a general "share-the-wealth" campaign. The Communists realize that this agrarian reform movement is a destruction of existing strength (feudalism) and that to progress they must rely upon other sources. These other sources are

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the intellectuals not already in the Communist fold, the productive capabilities of the cities of China, and foreign aid. [] note: Considerable attention has been paid to the recent plan of the Central Government to institute a system of land reform in areas over which they have control. If this program should be successful, it would remove the principal persuasive argument the Communists have against Central Government rule. However, the Nationalists, with their strength based upon that of the landlord class, can hardly be expected to carry out such a program.)

b. The rank and file of the Chinese Communists as well as the Chinese intellectuals have been promised a coalition government by the Communists for six years. If the Communists should break their promises, they would probably not be forced from power, but they would be deserted by their civilian administrative cadres and the use of many of the best and most enthusiastic minds of China. Most of the third and fourth generation Communists would probably leave the fold or degenerate into unenthusiastic bureaucrats if the Communists turned down a chance for coalition government.

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Note: The four Communists "generations" may be divided as follows:

	Duration	End of generation
1st generation	1922-1927	Split with Kuomintang
2nd "	1927-1936	War with Japan
3rd "	1936-1945	V-J Day
4th "	1945-present)

c. The present agrarian reform movement will merely result in the creation of a class of petty landowners who would constitute a new conservative group. Only by building up a bourgeois and working class in the cities can they gain a new source of political power and create a dictatorship of the workers.

d. The Communists realize that foreign aid is necessary if China is to become a prosperous nation. The Soviets are unable to give this aid. Only the United States can help, and the United States will not assist any Communist Government. Given a coalition government, China can play the USSR against the United States, thereby not losing freedom, but gaining aid.

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